

PROVINCE OF SASKATCHEWAN



08-09

ANNUAL REPORT

**PUBLIC EMPLOYEES BENEFITS AGENCY
REVOLVING FUND**

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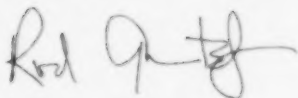
Letters of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the eighteenth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2009.

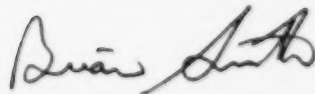


Rod Gantefoer
Minister of Finance

The Honourable Rod Gantefoer
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the eighteenth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2009.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Benefits Agency Revolving Fund

Introduction

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993*.

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs:

Pension Funds

Public Employees Pension Plan
Public Service Superannuation Plan
Municipal Employees' Pension Plan
Liquor Board Superannuation Plan
Pension Plan for the Employees of the
Saskatchewan Workers' Compensation Board
Saskatchewan Transportation Company
Superannuation Plan
Anti-Tuberculosis League Superannuation Plan
Members of the Legislative Assembly
Superannuation Plan
Judges of the Provincial Court Superannuation
Plan
Saskatchewan Pension Annuity Fund
The Power Corporation Superannuation Plan

Employee Benefit Funds

Public Employees Group Life Insurance Plan
Public Employees Dental Plan
Extended Health Care Plan
Extended Health Care Plan for Certain Other
Employees
Public Employees Disability Income Plan
Public Employees Deferred Salary Leave Plan
Government of Saskatchewan Unscheduled
Aircraft Plan
Government of Saskatchewan Scheduled Aircraft
Plan
SaskPower Supplementary Superannuation Plan
Additional Pension Contribution Program
Government of Saskatchewan and Saskatchewan
Government and General Employees' Union
Benefit Plans' Surplus Fund
Government of Saskatchewan and Canadian
Union of Public Employees Local No. 600-3
Benefit Plans' Surplus Fund

Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other
Retired Employees
Saskatchewan Government Insurance Service
Recognition Plan
SaskEnergy Retiring Allowance Plan
SaskPower Millennium RRSP
SaskPower Severance Pay Credits Plan
SaskPower Designated Employee Benefit Plan
Saskatchewan Watershed Authority Retirement
Allowance Plan
Saskatchewan Water Corporation Retirement
Allowance Plan

Administration

The Fund is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

Financing

Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount for accumulated net expenditure has been set at \$5,800,000.

Administration Costs

| | |
|------|--------------|
| 2009 | \$11,399,939 |
| 2008 | \$10,722,356 |
| 2007 | \$9,680,841 |
| 2006 | \$8,020,075 |

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

Management's Report

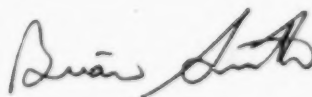
To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles applicable for governments.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2009 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency



Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
June 2, 2009

Public Employees Benefits Agency Revolving Fund

Financial Statements

Year Ended March 31, 2009

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Benefits Agency Revolving Fund as at March 31, 2009 and the statements of operations, and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
June 2, 2009

Public Employees Benefits Agency Revolving Fund
Statement of Financial Position
As At March 31

Statement 1

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|--------------------|
| FINANCIAL ASSETS | | |
| Accounts receivable (Note 5) | <u>\$ 931,991</u> | <u>\$1,588,485</u> |
| Total Financial Assets | <u>931,991</u> | <u>1,588,485</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 5) | <u>1,671,586</u> | <u>2,793,187</u> |
| Accumulated net expenditure (Statement 3) | <u>4,672,760</u> | <u>3,643,211</u> |
| Total Liabilities | <u>6,344,346</u> | <u>6,436,398</u> |
| Net Debt | <u>5,412,355</u> | <u>4,847,913</u> |
| NON-FINANCIAL ASSETS | | |
| Prepaid expenses | <u>132,746</u> | <u>127,152</u> |
| Tangible capital assets (Note 4) | <u>5,279,609</u> | <u>4,720,761</u> |
| Total Non-financial Assets | <u>5,412,355</u> | <u>4,847,913</u> |
| Accumulated Surplus | <u>\$ -</u> | <u>\$ -</u> |

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund
Statement of Operations**

Statement 2

For The Year Ended March 31

| | 2009 | | 2008 |
|------------------------------|----------------------------|---------------|---------------|
| | Budget (Note 8) | Actual | Actual |
| REVENUE | | | |
| Administration fees (Note 5) | \$13,492,236 | \$11,399,939 | \$10,722,356 |
| EXPENSES: (Note 5) | | | |
| Salaries and benefits | 6,921,262 | 6,035,477 | 5,661,284 |
| Contractual services | 2,950,435 | 2,670,548 | 2,461,072 |
| Amortization | 907,833 | 792,760 | 718,626 |
| Rent | 880,790 | 654,071 | 640,397 |
| Postage and communications | 573,398 | 432,833 | 467,951 |
| Supplies | 300,230 | 303,360 | 383,576 |
| Travel | 481,812 | 294,928 | 202,259 |
| Advertising/printing | 453,075 | 189,655 | 149,702 |
| Board and business expenses | 14,400 | 19,548 | 27,885 |
| Repairs and maintenance | 9,001 | 6,759 | 9,604 |
| Total expenses | 13,492,236 | 11,399,939 | 10,722,356 |
| Net income | \$ - | \$ - | \$ - |

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund
Statement of Changes in Accumulated Net Expenditure**

Statement 3

For The Year Ended March 31

| | <u>2009</u> | <u>2008</u> |
|---|-----------------------------|-----------------------------|
| Financing provided by operating activities: | | |
| Net income | \$ - | \$ - |
| Amortization of capital assets | 792,760 | 718,626 |
| Loss on disposal of capital assets | 2,699 | 1,371 |
| Decrease (increase) in accounts receivable | 650,900 | (662,261) |
| (Decrease) increase in accounts payable and accrued liabilities | <u>(1,121,601)</u> | <u>823,030</u> |
| Net financing provided by operating activities | <u>324,758</u> | <u>880,766</u> |
| Financing required for investing activities: | | |
| Purchase of capital assets | <u>(1,354,307)</u> | <u>(588,485)</u> |
| Net financing required for investing activities | <u>(1,354,307)</u> | <u>(588,485)</u> |
| Net (increase) decrease in financing requirements | (1,029,549) | 292,281 |
| Accumulated net expenditure, beginning of year | <u>(3,643,211)</u> | <u>(3,935,492)</u> |
| Accumulated net expenditure, end of year (Statement 1) | <u><u>\$(4,672,760)</u></u> | <u><u>\$(3,643,211)</u></u> |

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Notes to the Financial Statements
March 31, 2009

1. Authority and Definition of Accounting Entity

The Public Employees Benefits Agency Revolving Fund (Revolving Fund) was established under Section 65 of *The Financial Administration Act, 1993* to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various pension plans and benefit programs administered by PEBA in accordance with the policy described in Note 2(d).

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable for governments. These financial statements do not present a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure. The following policies are considered significant:

a) Change in Accounting Policies

Effective April 1, 2008, the Revolving Fund adopted the standards established by the Public Sector Accounting Board. Other than presentation, the adoption of these standards has not affected the amounts recorded in the Revolving Fund's financial position or results of operations.

b) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

c) Accumulated Net Expenditure (Recovery)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated net expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

d) Revenue – Administration Fees

The costs incurred by PEBA in the administration of the various pension plans and benefit programs are billed on a monthly basis to these plans and programs, as follows:

- i) Costs directly relating to a particular pension plan or benefit program are charged to that plan or program.
- ii) All other costs are charged to the various pension plans and benefit programs using a formula primarily based on employees' time required to administer these plans and programs.

e) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is recorded commencing the year in which the assets are placed in service, on a straight-line basis, over their estimated useful lives as follows:

| | |
|----------------------------------|----------------------------|
| Computer hardware and software | 5 years |
| System development and furniture | 10 years |
| Leasehold improvements | over the term of the lease |

Work in progress assets include system development costs incurred for systems not yet placed into service.

f) **Future Accounting Policy Changes**

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued an exposure draft proposing to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. The Revolving Fund is monitoring the transition to IFRS and is assessing the impact that the adoption of IFRS will have on its financial statements when conversion is required.

g) **Use of Estimates**

These statements are prepared in accordance with Canadian generally accepted accounting principles applicable for governments. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. **Authorized Financing**

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at \$5,800,000 by Order in Council 116/2009.

4. **Tangible Capital Assets**

| | Cost | | Accumulated Amortization | | Net Book Value | |
|--------------------|-------------|-------------|--------------------------|-------------|----------------|-------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Computer Hardware | \$ 829,530 | \$ 731,877 | \$ 403,843 | \$ 408,556 | \$ 425,687 | \$ 323,321 |
| Computer Software | 468,776 | 460,643 | 279,000 | 212,418 | 189,776 | 248,225 |
| Furniture | 372,731 | 372,731 | 229,193 | 195,907 | 143,538 | 176,824 |
| System Development | 6,022,739 | 6,022,738 | 2,591,301 | 2,050,347 | 3,431,438 | 3,972,391 |
| Leaseholds | 902,316 | 289,875 | 313,821 | 289,875 | 588,495 | - |
| Work in progress | 500,675 | - | - | - | 500,675 | - |
| | \$9,096,767 | \$7,877,864 | \$3,817,158 | \$3,157,103 | \$5,279,609 | \$4,720,761 |

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Fund by virtue of common control by the Government of Saskatchewan. These financial statements also include transactions with non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include \$1,823,298 (2008 - \$1,779,608) that the Ministry of Finance incurred on PEBA's behalf for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the pension plans and benefit programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993*, to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993*.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and certain administrative costs. These costs have been absorbed by various ministerial appropriations and therefore, no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on agreed upon terms.

The following table summarizes the Revolving Fund's related party transactions.

| | <u>2009</u> | <u>2008</u> |
|-----------------------------|--------------|--------------|
| Administration fees | \$11,388,609 | \$10,698,664 |
| Expenses: | | |
| Salaries and benefits | 890,590 | 859,209 |
| Rent | 644,406 | 614,291 |
| Postage and communications | 402,692 | 414,307 |
| Supplies | 24,264 | 26,056 |
| Contractual services | 16,639 | 23,008 |
| Travel | 15,828 | 2,800 |
| Repairs and maintenance | 4,745 | 126 |
| Board and business expenses | 493 | 2,097 |

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

| | <u>2009</u> | <u>2008</u> |
|--|-------------|-------------|
| Accounts receivable | \$930,295 | \$1,588,484 |
| Accounts payable and accrued liabilities | \$308,916 | \$1,924,774 |

6. Amount Reported in Public Accounts

The net (expense) recovery of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

| | <u>2009</u> | <u>2008</u> |
|---|--------------------|-------------------|
| Net income | \$ - | \$ - |
| (Increase) decrease in net capital assets | (558,848) | 131,512 |
| Amounts not included in Public Accounts due to timing | 105,533 | (2,862) |
| Net (expense) recovery reported in Public Accounts | <u>\$(453,315)</u> | <u>\$ 128,650</u> |

7. Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities approximates their carrying value due to their immediate or short-term nature.

8. Budget

The various pension plan and benefit program boards approved their component of the annual budget. A copy of the annual budget was also submitted to Treasury Board.

9. Comparative Figures

Certain of the 2008 balances have been reclassified to conform to the current year's presentation.

